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ABSTRACT

This paper examines and critiques the Australian Federal Government's efforts to put pressure on universities to increase the links between business and universities and to adopt more business practices. Examination of the 1992 and 1993 World Competitiveness Reports reveal ratings which cast serious doubt about the effectiveness of Australian business and industry. The 1991 Australian Mission on Management Skills Report substantially challenges the appropriateness of practices in Australian management and management training. However problems which have been identified are likely to be neglected in an economic upturn. It is argued that Australian government policies encouraging wide adoption of business practices and values reflect the short term planning strategies characteristic of English speaking countries and the inability of government and business leaders in these countries to remedy their own deficiencies in order to regain economic power lost during the 1980s. The wisdom of co-opting university staff and resources to remedy lack of research by Australian business is questionable. The uncritical adoption of Australian business practices may result in universities losing their distinctive roles, create conflicts of interest, and threaten the existence of Faculties of Education within universities. (Author/JB)

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Politics, Policy and Practice: How Suitable Is Australian Business As A Model For Emulation?

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A Paper Presented at the Annual ATEA Conference, Brisbane, 1994

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Politics, Policy and Practice: How Suitable Is Australian Business As A Model For Emulation?

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Abstract: The Australian Federal Government has been pressuring universities to increase the links between business and the universities and adopt more business practices. Examination of the 1992 and 1993 OECD World Competitiveness Reports reveal ratings which cast serious doubts about the effectiveness of Australian business and industry. The 1991 Australian Mission on Management Skills Report substantially challenges the appropriateness of practices in Australian management and management training. Such management deficiencies are being taken very seriously at federal government level however problems which have been identified are likely to be neglected in an economic upturn. It is argued that Australian government policies encouraging wide adoption of business practices and values reflect the short term planning strategies characteristic of English speaking countries and the desperation of governments and business leaders in these countries to remedy their own deficiencies in order to regain economic power lost during the eighties. The wisdom of co-opting university staff and resources to remedy lack of research by Australian business is questioned. The uncritical adoption of the Australian business practices may result in universities losing their distinctive roles, create conflicts of interest and threaten the existence of Faculties of Education within universities.

Very considerable pressures are being applied by the Australian Federal Government to force the universities to shape up to ideals espoused by the bureaucrats in the Federal Public Service and by politicians. This pressure is applied through grants and increasingly is taking the form of competition for funding and very public comparisons and rankings of performance, as exemplified by DEET's recently released set of diversity and performance indicators.

The assumption has been made that universities can and should be run like businesses. One can have some sympathy with this point of view in the light of the fact that universities do receive funding from the public purse and therefore should be held accountable. Unfortunately economists and accountants have never been able to put precise figures upon the worth of learning, knowledge and skill although there are certainly statistics which clearly indicate that more highly educated countries are wealthier and have higher standards of living.

Universities are often poorly managed in an economic sense. The University of Sydney's offer of redundancy packages to all staff and the financial woes of some other universities bear ample testimony to the inadequacies of university financial management, while general management practices at many universities are of real concern. The problem resides in the fact that academic leaders are promoted on the basis of academic achievements, not on the basis of proven, economic or

organizational management and leadership skills. American universities have long separated the academic and business sides of university management and Australian universities need to consider this solution.

Unfortunately no generally accepted model exists which establishes clear guides to ensure efficiency and benefits from research and parsimony in the funding of research and salaries. In this context it is not unnatural that the Australian government should turn to the group within the community which does make significant claims for efficiency in production and financial rectitude - Australian business. The Federal Government, at least publically and in terms of policy thrusts to forge intimate business-university partnerships, appears to have accepted business and industry leaders at face value on the claims and self-justification that they have presented for expertise in these areas.

Australian business is certainly well aware of the political leverage that can be obtained through by self-publicity about its excellence, innovation and achievement. Such leverage can be used to influence politicians to gain favourable income tax rates and other changes to laws and procedures which distinctiy favour business and industry over private individuals. Usually the implication is that Australian business by its entrepreneurial activities is reducing Australia's national debt. Seeing the national debt is largely the result of normal business borrowings, with somewhere between 60-70% of this debt originating from that source, this message is not exactly what it purports to be. Acceptance of the belief of economic rectitude of Australian business practices on the basis of self-promotion is somewhat naive.

However there appear to be reasons more important than effective use of economic resources in universities which lie behind the push to involve universities and business in closer alliances.

Why the Intense Rush to a University-Business Partnership?

Over the past decade the relative economic strength and prestige of the English speaking world has been seriously eroded by the industrial might of Japan, Germany, and a host of developing Asian "tigers", such as Taiwan, South Korea, China, etc. That both Japan and Germany were conquered in the second World War by the US and other allied English nations, and arose again to strength as result of special plans and subsidies from those countries which defeated them, has perhaps contibuted to a sense of damaged national pride, particularly in the USA. However, much more is at stake than damaged national pride. Living standards of all Australians will ultimately be affected adversely unless we rise to the challenge posed by international competition and technological change.

Short term planning is the norm practised by both business and governments in English speaking countries. Such short term planning is in stark contrast to economically successful countries like Germany and Japan, and the emerging

Asian nations, where twenty year plans are not unusual. The relationship between short term planning and ineffective economic performance by governments and business has been clearly pointed out. Short term planning has been identified as one of the key factors in the relative economic decline of the English speaking world (see OECD World Competitiveness Report, 1992, p.11 & p.31).

The sense of crisis, which is pervading Australia, the UK and the USA over the loss of relative economic prestige and status, has focused the attention of governments of these countries quite mightily upon efforts to produce more creative, highly skilled citizens (e.g., see Mayer Report, 1992; Carmichael, 1992). This intense focus is of course necessary to compensate for the previous complacency and past inadequacies of government and business leaders who have allowed this loss of prestige through their incompetent leadership and lack of forward planning. Given these circumstances it is not perhaps too surprising that the universities, perceived as centres of ideas and intellectual excellence, should be turned to in the national interest, albeit under the guise of making them more efficient.

Australian Business As Role Model

In the pressures towards greater university cooperation Australian business is assumed to be a role model of economic efficiency and planning and there is implict belief that Australian business can contribute substantially to the functioning of the universities. It is probable that more business-like practices can assist universities to be more efficient in the deployment of resources but any role model needs to be approached circumspectly. Generally speaking, most models have some attractive attributes but, in this imperfect world, they generally also possess attributes which are not suitable for imitating. It is also apparent that some role models are in fact better models than others. This indicates that those seeking to imitate or adopt ideas must do so in a critical, very selective way.

Despite self interested publicity, when evidence is examined as to the actual excellence in Australian business in terms of world best practice some surprises emerge. Academics should not be too much in awe of Australian business management. Close examination of a number of indicators reveals that Australian business generally is anything but appropriate as a role model for universities.

The Quality of Leadership in Australian Business and Industry

Management for best production is increasingly recognized as of utmost importance in a period when invention is less important since reverse engineering has become an art form, and when the advantages accruing from possession of a wealth of natural resources has diminished (Thurow, 1992).

There is evidence from a variety of sources, particularly from comparisons within the OECD, the context in which Australian industry now has to perform, Australian leaders in business are not very innovative or entrepreneurial, hence

they are unlikely to be equipped to deal with the complexities of a changing economic order in a post-Fordist economy (see Cornford, 1993). There is certainly some evidence of improvement when the 1992 to 1993 OECD World Competitiveness Reports are compared, but there is clearly still a long way to go. The 1992 OECD World Competitiveness Report rated Australian managers as 20 out of 22 countries on entrepreneurship and innovation, coming just ahead of Portugal and Norway. For the latest, 1993 Report the rating is 19th again out of 22 countries. Managerial rewards were perceived to encourage short-term orientation to planning with Australia rated 19 out of 22, clustered with Canada, the USA and the UK on the next three ratings in the 1992 Report. The 1993 Report shows a considerable improvement to 14th.

In Australian folk myth relationships between employer and employee are cordial and mateship is an important value. The reality as judged by an external impartial observer like the OECD is somewhat at odds with the myth. Relationships between Australian managers and employees were rated as generally fragile at 20th out of 22 in the 1992 Report and in the 1993 Report there is slight improvement to 19th out of 22. In the 1992 Report on the issue of employee turnover Australia ranked 22 out of 22. There has been a big improvement in this area to 13th in the 1993 Report but that may well be because so many employees have been shed by larger employers that stability has been achieved. In the present ecomomic climate recruitment to jobs is not large, many employees appear reluctant to contemplate a job change and businesses are likely to have reduced their staff to an indispensible hard core of highly productive and loyal employees.

In terms of international trade the factors of quality of goods and awareness of intercultural differences are important indicators of likely success. Where quality of goods produced was concerned, the Australian rating for Price/Quality Ratio was 21 out of 22, only superior to Spain in the 1992 OECD Report. In the 1993 Report there has been an improvement to 18th but this is still far from satisfactory. Effective performance in an international arena necessitates an awareness of cultural differences. In the OECD World Competitiveness Report for 1992 Australian managers are ranked as lacking intercultural understanding on 20 out of 22, followed by the UK and the USA. The 1993 Report reveals an identical rating.

The inability of Autralian managers to appreciate cultural differences is reinforced by a report which appeared on the front page of the Financial Review last year outlining the blunders of top Australian investment managers controlling perhaps $A40 billion in assets as they were hosted around China, one of the fastest growing economies seeking investment. Top ranking Chinese officials were insulted by the wearing of shorts and sandals and cancellations of meeting on account of sheer ignorance of the importance of those officials with whom meetings had been arranged.[1]

It is not surprising to find that, on the general level of managerial efficiency,

Australia is rated overall at 19th out of 22, down at the "ineffectual"end of the scale in the 1992 OECD Report. There has been some improvement in this area in the 1993 Report with Australian management ranked at 17th, but this is still a long way from indicating that Australian management overall is capable of recognizing and implementing world best practice. In practical terms, the world's response to ineffective Australian business management is to be found in the devaluation of the Australian dollar over the past decade. Since approximately 60-70% of the Australian national debt is normal commercial debt of major Australian companies, this devaluation is a reflection of international confidence, or lack thereof, in these borrowers.

These figure quoted all involve generalizations and averages. It needs to be recognized that there are individual companies and managers who perform to very high levels, at least to the level of international best practice, and who have very sound academic qualifications and practical knowledge and skills to back these qualifications. In dealing with business and governement pressures to adopt business methods, universities need to be aware that there exist good and bad models and that those with the loudest voices trumpetting their own excellence may be simply good at PR, and not the experts that they claim to be.

Qualifications of Leaders in Australian Business and Industry

The reasons for this less than flattering picture of Australian business management in the 1992 and 1993 OECD Reports appear to lie in part in the lack of educational qualifications of senior managers in Australia. The Australian Mission on Management Report (1991) indicates that over all categories of management in Australia, from supervisors, through middle managers to top management, 60% hold no formal qualifications. Of the top Australian managers, 20% hold a first degree compared with 24% in the UK, 63% in Western Germany, 65% in France and 85% in the USA and Japan. Many of the skilled workers on the shopfloor or workshop in effect hold superior qualifications to their managers. The recent decimation of middle management during the recession in Australia without apparent loss, indeed with generally increased business profits, can be explained partially by these facts.

Formal qualifications alone are not a reliable guide to business and managerial efficiency since the quality of the degree or diploma and its relevance to a particular managerial function, or even industry, are variables which need to be taken into account. In many economically well performing European countries, specific contextual knowledge related to production processes and organizational management, and derived from on the job training, is considered of much greater importance than having a degree (see Australian Mission on Management Report, 1991). It will be noted too, for example, that the USA, which is also losing relative economic power, has a relatively high level (85%) of degree holders in upper management positions. Several formerly prominent figures in the business community in Australia have found that possession of a Harvard MBA does not

automatically convey wisdom or good fortune! Nevertheless, it is likely that degrees, which generally involve exposure to a range of new ideas and ideally the development of critical thinking, are likely to have a broadening effect on sensible decision making and can constitute a rough measure to indicate potential problem solving ability.

Although there has not been wide publicity about the problem of quality of management in Australia, this is of very serious issue in a nation which is having to compete effectively in the world context vis-a-vis many emerging industrial nations in the Asian region to maintain prestige and standards of living. The Australian Federal Government is acutely aware of the issue and has instigated further investigation as a result of the unsettling Australian Mission on Management Report (1991). Currently the DEET initiated Industry Task Force On Leadership And Management Skills under the chairmanship of David Karpin is preparing a new report which will consider all levels of management and means of educating managers and leaders for the 21st century. This report is now due for release in August, 1994. Already preliminary news releases from this source have hinted that changes to the quality of management in small business, which provides approximately two thirds of all employment opportunities, will be slow and costly.

The Industry Task Force on Leadership and Management Skills Report will be eagerly awaited to see how it is proposed to change business culture to instigate more effective management training in Australia. This is one of the major problem areas identified in the Australian Mission on Management Report (1991). Australian management training practices fall below the most effective practices adopted for management training in Europe, particularly France and Germany, and Japan.

Australian Business and R&D

Given the deficiencies in general performance and quality of business leadership it is not too surprising that Australian business and industry have a very poor record in terms of innovation and investment in R&D, although this is slowly improving. This limited committment to R&D is one of the reasons for Australia being in a less than satisfactory economic state since innovation and efficient, value added manufacture are important keys to economic prosperity (Thurow, 1992).

The 1993 World Competitiveness Report places Australia as 2nd out of 22 countries in terms of annual real compound growth in business R&D expenditure. This seems impressive until it is realized that these figures are coming off a very low base. There is evidence that Australians are becoming much more aware of the importance of R&D activity since we have now passed the US in employment of R&D personnel, with 8.1 persons employed per 1000 in contrast with the US's 7.7 per 1000. Since the US is an example of a country which also has suffered economic decline, this is not too much to get excited about. The 1993 OECD

Report, which give figures for 1991, places Australia as 16th out of 22 for total expenditure on R&D expressed as a percentage of Gross Domestic Product. In terms of business expenditure on R&D, as a percentage of total spending on R&D, Australia ranks 18th with 41.6%, followed by New Zealand, Portugal, Greece and Turkey. These figure indicate that the public purse funds approximately 60% of the R&D carried out in Australia.

There are many who would agree with Professor David Pennington, Vice Chancellor of the University of Melbourne, who has stated: "Australia's greatest deficiency..... is the lack of commitment on the part of Australian industry to invest in research and development and the inability to innovate and capitalise on what is, by international comparisons, a high standard of research and advanced education in Australia's well-established universities."[2]

Even when university research teams produce research of international best standard with direct commercial application there is a reluctance of Australian business to seize the opportunities. In the past the commercial benefits of many significant discoveries by the CSIRO have been lost to Australia through lack of business acumen. Two other recent cases illustrate the point at a time when the need for business innovation has received wide publicity over a lenghty period. A Monash team recently discovered key triggers to cell division and development that have major implications for tests for cancer and cancer treatment. No Australian funding was available and the tests are being developed by a Singapore firm.[3] In another instance the commercial development of a world-first process for increasing the sun protection factor of natural fibre lightweight garments at Unisearch (UNSW) has been lost to Ausralia. This process is being developed by the Swiss multinational Sandoz.[4] Even when universities do provide the major research discoveries there is no corresponding investment response from Australian business.

Some Stresses Within the University Sector

There is evidence that the relationship between business and universities is not a symbiotic relationship with mutual advantages for both sides in relatively equal proportions. The forcing of the universities into more research, more liaison with business and the attempts to become less dependent upon government funding and more business-like, has produced increased problems. Many of these problems have been recognized explicitly in the 1994 Report of the Inquiry into The Organization and Funding of Research in Higher Education by the Senate Standing Committee on Employment, Education and Training, hereafter referred to as the OFR Report.

The OFR Report substantially supported the Boston Consulting Group's findings in their contract for NBEET. This group found that the declining infrastructure support to the universities had brought the system to the brink of collapse (OFR, 1994, p. xi). The OFR Report makes strong recommendations for additional funds

for research infrastructure since funding has not kept pace with the overall expansion of the university sector. Even in disciplines like engineering, which is perceived by business to be directly linked to production, there are major problems with infrastructure. Recently the peak professional body for engineers, the Institute of Engineers, placed the engineering departments of three universities on notice that they will withdraw professional accreditation of their courses because of the state of their teaching equipment. Other universities were warned that they too would be put on notice. Among other findings, a survey of 14 mechanical engineering departments, found that undergraduates were using equipment from the 1960s to study manufacturing technology![5]

The 1994 OFR Report also focused upon the need to examine the contributions of the Co-operative Research Centres to universities. There were 52 CRCs as of April, 1993 and funding for another 10 has been approved for 1994. CRCs are centres involving partnerships between business and the universities but there strong views that the benefits may be substantially flowing in the direct of business because of costs unanticipated by the universities. There was also strong concern expressed in the OFR report that these centres and funding policies were channelling research into applied research, while more fundamental research, without apparent immediate social and economic benefit, but of potentially greater long term benefit ,was being neglected.

Lack of large scale additional funding for the social sciences and humanities, where business and governments do not perceived direct links to productivity, is leading to severe cuts and and a gap between applied and theoretical departments in the universities. Great concern that the humanities and social sciences are relatively disadvantaged as a result of current policies and values is expressed in the 1994 OFR Report. Education is a particularly interesting example in relation to this problem. While vocational education, is currently enjoying an enormous input of funding for research projects through ANTA, because of direct links to business and business performance, those working in primary and secondary education areas are likely to have much more limited access to large project funds.

This set of circumstances concerning the amount, origin of funding and recipient areas increases the likelihood of the development of two classes of academics within universities: those who have access to large funding grants and the prestige that this entails and those who work in the humanities where there is little perceived relationship to productive skilling. Market loadings on salaries are already used by a number of universities. The devaluing of the humanites and pure subjects involves a particularly short sighted view of the nature and value of learning but this view appears to have many adherents in government circles as judged by policy decisions and the types of research grants awarded.

Another problem is that many academics do not have a true estimate of their own value. This is not perhaps surprising, given the sorts of "bashing" the pure subjects have been subjected to. In the rush to be seen to link academic and government

research to Australia's market needs, some academics are selling themselves too cheaply. Here are some examples. According to Peter Roberts in the Financial Review since 1984 39 companies have paid the Mathematics In Industry Study Group "a trivial $3,000 dollars each for the privilege of having the countries finest minds work on a total of 63 problems."[6]

Roberts was ecstatic that as a result of successes one Sydney company lodged a patent application for membrane filtration equipment, Penfolds was able to cut from 12 to 6 months the time its champagne spends in storage during fermentation and a specialist software company was able to develop a new product to manage air-crew rostering for airlines. Roberts goes on to say : "On the other side of the coin, the mathematicians are not paid for their time, but benefit from working on real world problems. The closing of the gap between academia and industry is a win-win situation all round" (ibid.). However one has a sneaking suspicion that it is a real win for businesses who could not buy consultancy time as cheaply ($117,000 total). No mention was made of who paid for the time on Australia's most sopisticated computers, the CSIRO's Cray and the Fuijitsu multi-processor at Lucas Heights, that the mathematicians were "all but monopolising" (ibid.) for a week.

Conflicts of Interest

Pressures from government to increase links between business and universities has led to other problems centred around conflict of interest. Of great concern is the fact that with such intense interest in research, teaching is likely to suffer. Despite posturing and claims by university authorities to the contrary, this must inevitably be the case. Good teaching requires much dedication, time for research and preparation. Situations are not uncommon where lecturers involved with large contracts have chosen to buy-in inexperienced replacements and/or have avoided lecturing in the more emotionally demanding subjects and those which require more than the use of previously prepared lecture notes. In such cases, the kudos go to the researcher not to the teacher who has to carry the extra load of student concerns and complaints. The much repeated claim that research improves the quality of teaching in fact has never been closely examined.

Another source of conflict of interest is that with many contracts, particularly those originating directly from government or semi-government bodies, the nature of contractual agreement creates conflicts with the ideals of universities and academic work. Universities have always prided themselves on being able to be independent and take objective views and present research as objectively as possible, even if it is in contradiction to government policy or popular views. The reputations of universities are in fact closely connected with the notions of truth and objectivity.

Contractual arrangements involving research related to government policies specify particular outcomes as stated initially in the contact document. It is

assumed that all that there is to know is known when the contact is signed. This is quite unlike university work where there is opportunity to introduce factors which are revealed in the process of research even if these contradict initial hypotheses. Also meeting contract demand often means the presentation of several drafts of reports and in this process many issues, which may not please ministers or higher public servants, are edited out.

Giving up an independent point of view merely to gain prestige through government research and been seen to be obeying university administrators, who desire to be seen to be following government policy, may prove to have certain costs. This will occur through the compromising of independence and the loss of reputation for the universities. It is my view that when the competency movement in vocational education finally and inevitably proves to be a failure, the blame will be sheeted home to all academics, not just to those who have been prepared to ignore ample evidence that the approach does not work. Politicians and their public service advisers are very adept at sifting the blame and will use academics as scapegoats.

The grants, subsidies and other monetary support by business also has the potential to compromise higher education autonomy and independence. I am aware of one instance in NSW TAFE where a major business has influenced curriculum enough to ensure that its product is utilized in a particular skill process, even though a superior end result is produced by the use of other processes and ingredients.

Conclusions

The shot-gun marriage of the universities and business, presided over by the federal government with shot-gun held at the backs of the universities, has again all the hallmarks of short term, crisis management so typical of the governments in the English speaking world. The problems revealed by the 1994 Senate OFR Report clearly indicate that insufficient forward planning was undertaken. The notion of taking large policy decisions on the basis of them being "good ideas" without government policy makers considering the finer details of implementation to ensure that the "good ideas" can be translated into effective practice, is but further evidence of the poor quality of political leadership and management, and lack of ministerial expertise in Australia (see Cornford, 1993).

What has happened is that universities, which in Australia have had a long tradition of providing services for the benefit of the whole society, have had to deal with business whose philosophy is centre upon individual profit and self aggrandisement. The two approaches to service are inherently very different bound to produce conflict and problems of adjustment. While the USA has long had close relationships between business and academia the expense of a university education and the variable quality of the education that is available should provide evidence that that system is not necessarily the optimal model. It is also interesting

to note that despite the strong links between academia and business in the USA, American business has performed very badly over the last twenty years. The present Federal Government also appears not yet to have learned that sucessful national systems are developed by taking into account characteristics which are inherent in the culture and grafting on compatible ideas. Graft material which is not compatible does not "take".

There is reason to believe that the universities can and should be made more efficient. There is also little doubt that the best managment practices of business can make substantial contributions to university economic and management practices. Then too the quality of managment in the business sector is improving and that there is growing awareness of the need for active R&D. There has been a major turn-around with the fact that Australia is ranked 1st of 22 in export performance in the 1993 OECD World Competitiveness Report. This is not an excuse for complacency however as there is a real danger that with increased, indeed in many cases, record profits, achieved through rationalization and staff cuts, that incentives to improve management practices to world best practice standard will disappear. This is particularly likely as the economy moves out of recession and business confidence improves and the incentive to change is reduced. Indeed, the continuing reluctance of Australian business to invest in areas from which they will derive profit, indicates the slowness of change of thinking in business culture.

Universities need to display more caution and be less gullible in dealing with both business and governments. Business can provide knowledge and skills but the universities must carefully analyze their requirements and the type of activities that they seek to model. The divide and conquer strategies, so clearly and successfully employed by the government to have the universities competing so readily with each other, on account of their fright that one of their vice chancellor numbers will agree to proposals and so derive some competitive advantage, must be overcome. The degree to which the vice chancellors have tumbled for this trick is, in itself, indicative of the level of naivety of university management.

Footnotes

1 Financial Review, 29/7/93, p. 1.
2 Financial Review, 22/12/92, p. 20.
3 Australian, 14/3/94.
4 Sydney Morning Herald, 11/6/94, p. 5.
5 Sydney Morning Herald, 19,5/94, p. 7.
6 Financial Review, 2/2/94, p.2.

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